

Annual Report
**CANADA NORTHERN POWER
CORPORATION
LIMITED**



Year ended
**DECEMBER THIRTY-FIRST
1938**

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CANADA NORTHERN POWER CORPORATION, LIMITED

Montreal, Que., March 7th, 1939.

TO THE SHAREHOLDERS:

Your Directors have pleasure in presenting the following report of the operations of your Company for the year ended December 31st, 1938.

It will be seen by reference to the comparative statement of operations covering the past five years that while the volume of business transacted by the Company has continued to increase, thereby adding to the operating expenses, net earnings show a slight decline due to the substantial rate reductions extended to your customers and to the increase in the burden of taxation.

Regular dividends on the 7% Cumulative Preferred Stock and \$1.20 per share on the no par value Common Stock were paid during the year.

Power Demand Owing to the steady growth of the mining industry, the output of power increased during the year from 649,123,556 to 700,848,611 kilowatt hours, a gain of 51,725,055. Customers served by the Company increased from 19,782 on December 31st, 1937, to 22,568, a gain of 2,786.

Construction Activities The most important undertaking carried out in the construction field during the year was the building of a second 110,000 volt transmission line between Noranda and Blouin Lake Substation. This new line is 62 miles long, and while it parallels the original line from Noranda to Cadillac, from that point east it swings southeasterly and passes through the Malartic area and will ensure ample capacity for the mines in the easterly section of the territory served by the Company and decrease possibilities of interruptions.

A new 6,000 k.v.a. substation has been installed in Malartic Township, rendered necessary by the rapid extension of mining operations in that camp. During the year the distribution system owned by Canadian Malartic Gold Mines at the Townsite of Malartic was acquired by the Company and extensive additions were made to the system, which now serves 300 domestic and commercial customers.

A similar distribution system was also constructed at the Townsite of Cadillac, where a new town has been established for the accommodation of the employees of the mines in the vicinity. The opening up of new urban subdivisions at both Rouyn and Noranda has entailed the construction of extensive additions to the distribution systems of these towns. Short 12,000 volt feeders have also been built to new mine customers, referred to under the following heading.

New Power Customers Contracts for the supply of power were entered into with the following mining companies: Upper Canada Mines, Limited, and Anoki Gold Mines, Limited, located in the

Larder Lake district of Ontario; Lapa Cadillac Gold Mines, Limited, situated in the Cadillac area, and Malartic Gold Fields, Limited, in Malartic, Quebec.

During the year the contract with Noranda Mines, Limited, expired and has not been renewed. In the meantime, however, your Company is continuing to supply power; but the Quebec Government has announced that this customer has contracted to take all its power requirements from the new power development of the National Electricity Syndicate, which is expected to be ready to deliver power early in 1941.

During the year a power contract between one of your Company's subsidiaries, Northern Ontario Power Co., Limited, and a mining company in Ontario, for the "mining life" of the customer's property, was the subject of litigation. The Privy Council held that, under the provisions of the Public Utilities Act of Ontario, the contract was limited to a maximum term of ten years from the date of the contract.

Merchandise Department The volume of business secured by the Merchandise Department of your Company, while not quite up to the level of the previous year, totalled \$221,933. It is worthy of note that the benefits of this phase of the Company's activities are of a cumulative nature, the appliances sold in any one year adding to the demand for power thereafter.

Sinking Fund During the year your Company retired \$235,500 of its 5% Bonds through the operation of the Sinking Fund, making the total retirement of Bonds, to date, \$1,707,000.

Taxation Once again your Directors would direct your attention to the ever-increasing item of taxation, which bulks largely in the problem with which your Company has to contend. Each year the amount absorbed under this head increases, making more apparent the unfair discrimination endured by privately owned companies and their

customers, who are compelled to bear a greater portion of the cost of administering the affairs of the country than do those who are served by publicly owned institutions. It is pointed out to the shareholders that out of every dollar of gross revenue more than 10.62 cents were exacted during the year as taxes payable by your Company, amounting to \$546,607, to say nothing of taxes on bondholders' interest and shareholders' dividends.

The substantial and ever-increasing contribution by our customers towards the administration of the country is shown by the following figures for ten years:

Year	Taxes	Net Earnings	Percentage
1929	\$296,351	\$2,178,420	13.6 %
1930	304,275	2,160,477	14.08%
1931	335,000	2,280,104	14.70%
1932	365,191	2,389,081	15.28%
1933	394,467	2,590,812	15.22%
1934	437,045	2,712,730	16.1 %
1935	477,955	2,770,678	17.2 %
1936	517,429	2,804,914	18.44%
1937	538,543	2,901,639	18.5 %
1938	546,607	2,840,984	19.24%

The foregoing figures do not include many miscellaneous taxes, among which are: tax on gasoline, licenses for automobiles and trucks, meter inspection taxes, tax on telephone bills, sales taxes (Federal and Municipal), tax on meals, tax on railway fares, customs duties, etc.

Rates For the year a substantial reduction of \$4.00 per horsepower per year in the rates for power to mine customers was put into effect. A further reduction of \$4.00 per horsepower effective January 1st, 1939, was also announced. As a result of this reduction, the rate per horsepower per month for the first 8,000 horsepower is now \$3.33 net, for the next 3,000 horsepower, \$1.67 net, and for the next 9,000 horsepower, \$1.25 net. Since the close of the fiscal year announcement has been made of a further reduction, and the cost of power, effective January 1st, 1940, will be as follows:

1,000 H.P.....	\$ 3,000 per month
2,000 H.P.....	6,000 " "
3,000 H.P.....	9,000 " "

The Annual General Meeting of the Shareholders of your Company will be held at Room 103, 355 St. James Street West, in the City of Montreal, on Tuesday, the 28th day of March, 1939, at 3 o'clock in the afternoon.

Respectfully submitted on behalf of the Board.

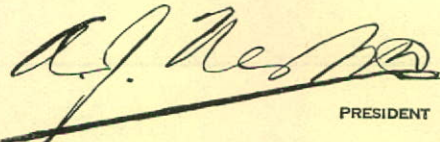
4,000 H.P.....	\$12,000 per month
5,000 H.P.....	15,000 " "
6,000 H.P.....	18,000 " "
7,000 H.P.....	21,000 " "
8,000 H.P.....	24,000 " "
9,000 H.P.....	27,000 " "
10,000 H.P.....	30,000 " "
11,000 H.P.....	31,250 " "
12,000 H.P.....	32,500 " "
13,000 H.P.....	33,750 " "
14,000 H.P.....	35,000 " "
15,000 H.P.....	36,250 " "
16,000 H.P.....	37,500 " "
17,000 H.P.....	38,750 " "
18,000 H.P.....	40,000 " "
19,000 H.P.....	41,250 " "
20,000 H.P.....	42,500 " "

and in proportion for intermediate amounts. As these are monthly costs, the yearly cost, based on yearly peak, and on past experience with the majority of customers, works out at approximately 10% less than the above figures multiplied by twelve. The benefit of these reductions to the mining industry has been reflected in the expansion of operations and the corresponding increase in the output of gold.

When the item of taxation is taken into consideration, it will be found that the cost of power supplied by the Company is as low as the cost to the users of power furnished by any organizations supplying similar service on the continent, as will be seen by a comparison of the total kilowatt hour output with the gross electric revenue of the Company, which shows that we receive seventy-two one-hundredths of a cent per kilowatt hour before considering taxes, and after taxes amounting to \$546,607 are deducted, only sixty-four one-hundredths of a cent per kilowatt hour.

Plants and Properties The various plants and equipment of the Company have been maintained in first-class condition throughout the year.

Employees It is with satisfaction that your Directors record their appreciation of the loyal and efficient service performed by the employees of the Company.


PRESIDENT

CANADA NORTHERN POWER AND SUBSIDIA

Consolidated Balance Sheet

A S S E T S

Plant Investment:	1938	1937
Properties, Plant and Equipment, Franchises, Organization, etc. (at Cost) less net adjustments arising as a result of consolidation	\$35,254,666.13	\$34,736,480.67
Current Assets:		
Cash in Banks.....	828,507.15	600,246.95
Call Loans.....	480,000.00	255,000.00
Investments—		
Marketable Securities..... \$1,140,608.95 (Market Value—\$1,324,115.00)		
Other Investments at book value..... 412,103.50		
	1,552,712.45	1,729,376.71
Notes Receivable.....	83,500.00	110,000.00
Accounts Receivable, including accrued revenue.....	545,924.91	543,336.20
Merchandise and Maintenance Supplies:		
Inventories as shown by book records, valued at cost as certified to by responsible officers of the Company. Book records ad- justed periodically to agree with physical inventories.....	255,917.84	243,721.92
	\$ 3,746,562.35	\$ 3,481,681.78
Prepaid and Deferred Charges.....	58,097.39	57,209.31
Bonds of the Corporation purchased in anticipation of Sinking Fund Requirements—Par Value.....	28,000.00	121,000.00

Approved on behalf of the Board:

A. J. NESBITT
JAS. B. WOODYATT } Directors.

\$39,087,325.87 \$38,396,371.76

Auditor.

We have made an examination of the books of account of Canada Northern Power and Light, Ltd. for the year ended 31st December, 1938, and have obtained all the information and explanations which we have required. The attached Consolidated Balance Sheet and relative Consolidated Statements of Income and Balance Sheet show the combined financial position of the Companies at 31st December, 1938, and the results of their operations for the year ended 31st December, 1938, and the information and explanations received by us.

Montreal, 17th February, 1939.

ER CORPORATION, LIMITED

RY COMPANIES

as at 31st December, 1938

LIABILITIES

	1938	1937
TO THE PUBLIC:		
Funded Debt—		
Collateral Trust 5% Sinking Fund Gold Bonds, Series "A" due 1953.....	\$17,000,000.00	
Less: Redeemed and cancelled by Sinking Fund to date.....	1,707,000.00	
	<u>\$15,293,000.00</u>	<u>\$15,528,500.00</u>
Current Liabilities:		
Accounts Payable and Accrued Liabilities....	244,338.18	438,686.05
Provision for Taxes.....	321,694.49	322,817.01
Bond Interest Accrued.....	127,208.33	128,395.83
Subsidiary Company Dividends Payable....	21,257.00	21,856.00
Preferred Dividend Payable.....	96,250.00	96,250.00
Common Dividend Payable.....	120,000.00	120,000.00
Customers' Deposits including interest.....	196,192.92	175,130.41
	<u>16,419,940.92</u>	<u>16,831,635.30</u>
TO THE PUBLIC SHAREHOLDERS OF SUBSIDIARIES:		
Capital Stock:		
6% Cumulative Convertible Preferred Shares of \$100.00 each— (Redeemable at \$110.00 and accrued dividend after 60 days' notice).....	1,202,100.00	1,239,600.00
Common Shares of No Par Value.....	197,998.04	200,257.96
Minority Shareholders' Interest in Surplus of Subsidiaries.....	4,437.97	7,337.68
TO THE SHAREHOLDERS—CANADA NORTHERN POWER CORPORATION LIMITED—		
Capital Stock:		
7% Cumulative Preferred Shares of \$100.00 each—(Redeem- able at \$110.00 and accrued dividend after 30 days' notice) Authorized.....	75,000 Shares	
Issued and fully paid.....	55,000 Shares	5,500,000.00
Common Shares of No Par Value:		
Authorized.....	500,000 Shares	
Issued.....	400,000 Shares	2,148,796.00
Reserves:		
Depreciation.....	10,996,602.88	10,264,627.59
Bad Debts.....	35,575.29	29,867.96
Miscellaneous.....	150,900.62	148,867.76
Surplus—Balance at 31st December, 1938.....	*2,405,360.37	2,025,381.51
Special Reserve (being the Net Profits on securities, less premiums on Bonds purchased for Sinking Fund purposes, since 1st January, 1938).....	25,613.78	
	<u>\$39,087,325.87</u>	<u>\$38,396,371.76</u>

*Subject to Contingent Liability for further Income Tax Adjustment, if any, for prior periods.

' Report

wer Corporation Limited and its Subsidiaries for the year ended 31st December,
quired.
of Income and Expenditure and of Surplus, in our opinion, set forth correctly the
results from operations for the year ended 31st December, 1938, according to the

P. S. Ross & Sons,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure *For the Year Ended 31st December, 1938*

Gross Earnings from Operations.....		\$5,101,381.80
DEDUCT:		
Operating Expenses.....	\$1,995,816.38	
Directors' Fees.....	15,175.00	
Executive Officers' Salaries.....	28,820.00	
Legal Fees.....	4,406.10	
Provision for Bad Debts.....	5,054.75	
		<u>2,049,272.23</u>
Net Operating Profit before interest, depreciation and income taxes.....		3,052,109.57
Income from Investments.....		44,623.88
		<u>\$3,096,733.45</u>
DEDUCT:		
Interest on Bonds, including exchange premium.....	774,775.54	
Interest on Customers' Deposits.....	6,219.88	
Provision for Depreciation.....	728,000.00	
Provision for Income Taxes.....	260,804.59	
		<u>1,769,800.01</u>
Net Income for the year transferred to Surplus Account.....		<u><u>\$1,326,933.44</u></u>

Consolidated Statement of Surplus *For the Year Ended 31st December, 1938*

Balance at Credit—31st December, 1937.....		\$2,025,381.51
ADD:		
Adjustments affecting previous financial periods (net).....		3,204.92
		<u>\$2,028,586.43</u>
ADD:		
Net Income for the year transferred from Consolidated Statement of Income and Expenditure.....	\$1,326,933.44	
Profits from Sale of Securities (Net).....	\$30,851.28	
LESS:		
Premium on Bonds purchased for sinking fund purposes.....	5,237.50	
		<u>25,613.78</u>
		<u>1,352,547.22</u>
		<u>\$3,381,133.65</u>
DEDUCT:		
Dividends on—		
Capital Stock of Subsidiaries held by the Public—		
Preferred.....	72,126.00	
Common.....	13,033.50	
		<u>85,159.50</u>
7% Cumulative Preferred Stock.....		385,000.00
Common Stock.....		480,000.00
Transfer to Special Reserve.....		25,613.78
		<u>975,773.28</u>
Balance at Credit—31st December, 1938.....		<u><u>\$2,405,360.37</u></u>

Examined and Certified in accordance with our attached Report.

Montreal, 17th February, 1939.

P. S. ROSS & SONS,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Operating Statement
For Years Ending December 31st

	1934	1935	1936	1937	1938
Electric Revenue.....	\$4,114,792	\$4,350,665	\$4,494,937	\$4,884,548	\$5,052,287
(#) Miscellaneous Revenue.....	51,511	67,823	77,880	101,132	93,719
Gross Earnings.....	\$4,166,303	\$4,418,488	\$4,572,817	\$4,985,680	\$5,146,006
Purchased Power.....	253,961	428,916	480,179	706,429	912,580
Operation.....	637,981	635,760	656,641	718,311	722,452
Maintenance.....	124,586	105,179	113,654	120,758	123,383
Taxes.....	437,045	477,955	517,429	538,543	546,607
	\$1,453,573	\$1,647,810	\$1,767,903	\$2,084,041	\$2,305,022
Net Earnings.....	2,712,730	2,770,678	2,804,914	2,901,639	2,840,984
Bad Debts.....	4,807	4,530	4,575	4,921	5,055
Interest.....	840,885	824,285	815,885	802,653	780,995
	\$ 845,692	\$ 828,815	\$ 820,460	\$ 807,574	\$ 786,050
Surplus for Year.....	1,867,038	1,941,863	1,984,454	2,094,065	2,054,934
(A) Surplus brought forward.....	1,463,818	1,714,609	(c) 1,342,006	1,647,931	2,028,586
	\$3,330,856	\$3,656,472	\$3,326,460	\$3,741,996	\$4,083,520
Preferred Dividends Paid.....	469,492	463,592	462,520	459,546	457,126
Common Dividends Paid.....	410,650	497,645	493,312	493,226	493,034
(B) Minority Interest, adjustment of Surplus.....	(B) 2,115	(B) 5,840			
Transferred to Depreciation Reserve.....	720,000	720,000	720,000	739,000	728,000
Premium on Bonds purchased for Sinking Fund.....				24,843	
	\$1,598,027	\$1,675,397	\$1,675,832	\$1,716,615	\$1,678,160
Surplus Carried Forward.....	\$1,732,829	\$1,981,075	\$1,650,628	\$2,025,381	\$2,405,360
Sinking Fund Instalments Paid...	\$ 181,075	\$ 191,925	\$ 201,825	\$ 211,925	\$ 243,575
Customers Connected.....	14,622	15,734	17,508	19,782	22,568
Shareholders.....	3,725	3,715	4,013	4,016	4,000
Kilowatt Hours Output.....	531,463,900	577,267,535	594,753,243	649,123,556	700,848,611

(A)—Adjusted for prior year charges.

(B)—Reduction of Minority Interest equity in Surplus.

(C)—Adjustment after addition of Profit on Sale of Securities and deduction of Bond Discount.

(#)—Miscellaneous Revenue includes compressed air gross earnings, pulp and merchandise net profits and earnings from investments, etc.

OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Vice-President and General Manager

B. V. HARRISON, New Liskeard

Directors

F. O. BLACKWELL.....New York
B. V. HARRISON.....New Liskeard
L. C. HASKELL.....Montreal
DAN. McLACHLIN.....Arnprior
A. J. NESBITT.....Montreal
ALFRED H. PARADIS.....Montreal
HON. J. L. RALSTON, K.C., P.C.....Montreal
JOS. SIMARD.....Montreal
P. A. THOMSON.....Montreal
JAS. B. WOODYATT.....Montreal

Secretary

L. C. HASKELL

Treasurer

CHAS. JOHNSTONE

Assistant Secretary

V. J. NIXON

Assistant Treasurer

T. IRVING

Assistant Secretary-Treasurer

H. A. SEYMOUR

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Auditors

P. S. ROSS & SONS

Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA

